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UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF CALIFORNIA

I-FLOW CORPORATION, a Delaware corporation, Plaintiff, vs. ZONE MEDICAL, LLC, a California limited liability company, Defendant.	Case No. 08-CV-0057 – DMS (NLS) **REPLY TO I-FLOW'S OPPOSITION TO MOTION TO DISMISS UNDER FED. R. CIV. P. 12(B)(6) OR, IN THE ALTERNATIVE, MOTION TO STAY.** Date: April 11, 2008 Time: 1:30 p.m. Place: 940 Front St, San Diego, Court Room 10, 2nd Fl. Judge: Hon. Dana M. Sabraw

Defendant Zone Medical, LLC (“Zone”) hereby submits this Reply to I-Flow Corporation's (“I-Flow”) Opposition to Motion to Dismiss I-Flow's Complaint pursuant to Fed. R. Civ. P. 12(b)(6) ("Rule 12(b)(6)") or, in the alternative, to stay.

INTRODUCTION

This case should be dismissed for improper claim splitting. In the concurrent action against Apex Medical Technologies, Inc. ("Apex") and Mark McGlothlin ("McGlothlin") ("2007 action"), the CEO of Apex and Zone, I-Flow asserts the same patent (5,284,481 or '481 patent) with respect to the same product. Moreover, in the 2007 action, I-Flow seeks relief from Apex and "*those persons in active concert or participating with*" Apex. I-Flow admits in its opposition that Apex and Zone act in concert in the marketing of the product I-Flow accuses of infringement (*i.e.*, Apex manufactures the product and Zone sells the product, both from their common facilities). Thus, with respect to the subject matter under the complaint and in view of I-Flow's own admissions, Zone and Apex are privies and this case is ripe for dismissal under the doctrine of claim splitting.

Also, I-Flow moved yesterday to consolidate this case with the 2007 action. That motion also shows that I-Flow engaged in claim splitting by filing this case as a separate action. In its motion to consolidate, I-Flow argues that both cases are highly related and that Zone would not be prejudiced even though preliminary disclosures, preliminary invalidity contentions, and preliminary claim constructions have already been exchanged between I-Flow and Apex.

I-Flow filed the complaint in this case on almost *the same day* as it filed the Second Amended Complaint in the 2007 action. I-Flow clearly engaged in a tactic of wasting resources of the parties and the Court. I-Flow raised its motion to consolidate for the first time *after* the informal conference on the Rule 12(b)(6) issue with the Court. The motion to consolidate is clearly an attempt to correct a tactical scheme I-Flow decided to engage in by filing a separate case against Zone in violation of Federal Circuit and 9th Circuit case law.

Zone also moves in the alternative for a stay pending outcome of a reexamination of the '481 patent, which is strongly favored given the early stage of this case.

ARGUMENT

A. Under Federal Circuit Case Law, I-Flow "Must Raise in a Single Lawsuit All the Grounds of Recovery Arising from a Single Transaction or Series of Transactions that Can be Brought Together."

I-Flow admits that Apex and Zone are handling the accused product, the Solace pump, in a series of transactions with Apex manufacturing and Zone marketing the product from their common facilities. Opposition, p. 3, lines 19-20. As discussed in Zone's motion, this is also apparent from I-Flow's pleadings. I-Flow asks for relief in the 2007 action against Apex and "those persons in active concert or participating with" Apex. Stahl Dec. (filed with Zone's motion), Ex. B, ¶B. Thus, I-Flow admits in its pleadings in the 2007 action that it seeks to reach beyond the named parties.

Under Federal Circuit case law, I-Flow *must* raise *all* grounds of recovery arising from a series of transactions in a single lawsuit:

> It is well established that a party may not split a cause of action into separate grounds of recovery and raise the separate grounds in successive lawsuits; instead, a party must raise in a single lawsuit all the grounds of recovery arising from a single transaction or series of transactions that can be brought together. *See Restatement (Second) of Judgments § 24(2)* (1982) (all actions arising from the same transaction or series of transactions are regarded as constituting a single cause of action);

Mars Inc. v. Nippon Conlux Kabushiki-Kaisha, 58 F.3d 616, 619 (Fed. Cir. 1995).

I-Flow's entire opposition is silent on *Mars*. While Zone raised *Mars* in its motion, I-Flow chose to ignore it completely. I-Flow's silence amounts to a tacit admission that it has indeed violated this sound principle espoused by the Federal Circuit in *Mars*. I-Flow's current motion to consolidate in this case is an attempt to undo the strategy that I-Flow chose to embark on; a strategy I-Flow should never have chosen in the first place. I-Flow should not be rewarded but should be held to the strategy it chose – it brought this suit in violation of Federal Circuit and 9th Circuit case law and, as a result, this suit is ripe for dismissal.

The true purpose of I-Flow's strategy is also apparent from the timing of events. I-Flow filed its complaint in this case on almost the same day it filed its Second Amended Complaint in the 2007 action. I-Flow chose a tactic to waste time and resources and only after the informal conference with the Court on this motion did I-Flow concede its mistake by asking to consolidate. Yet, I-Flow had already wasted the resources of the Court and Zone, and the Court had asked Zone to bring its Rule 12(b)(6) motion so the issues may be heard.

I-Flow should be held to the consequences of its wasteful tactics and this case should be dismissed pursuant to *Mars* and pursuant to case law from the 9th Circuit discussed in Zone's motion. Following dismissal of this suit, I-Flow still has an opportunity to seek a remedy regarding the series of transactions regarding the Solace pump at issue. Zone therefore requests that its motion to dismiss be granted.

B. In the Alternative, a Stay Should be Granted.

In the alternative, and for the reasons discussed in Zone's motion, this case should be stayed pending the outcome of the reexamination of the '481 patent if the Court does not grant Zone's Rule 12(b)(6) motion. Absent a dismissal, this case would be uniquely suited for a stay given that it is at the very outset. Zone therefore requests a stay as an alternative relief.

CONCLUSION

Zone therefore moves for an order dismissing this case under Rule 12(b)(6) under the doctrine of claim splitting, or, in the alternative, for an order staying this case pending resolution of a reexamination of the '481 patent in the Patent Office.

Respectfully submitted,

DATED: March 7, 2008 STAHL LAW FIRM

By: s/Norbert Stahl
Norbert Stahl, Esq.

Attorney for Defendant Zone Medical, LLC

CERTIFICATE OF SERVICE

I hereby certify that on March 7, 2008, I electronically filed the foregoing document entitled:

REPLY TO I-FLOW'S OPPOSITION TO MOTION TO DISMISS UNDER FED. R. CIV. P. 12(B)(6) OR, IN THE ALTERNATIVE, MOTION TO STAY

with the Clerk of Court using the CM/ECF system which will send notification of such filing to the following e-mail address:

boris.zelkind@kmob.com (Boris Zelkind).

I certify and declare under penalty of perjury under the laws of the Sate of California that the foregoing is true and correct.

Executed on March 7, 2008, at San Carlos, California.

By: s/Norbert Stahl
Norbert Stahl, Esq.

Attorney for Defendant Zone Medical, LLC